

World Beef Trade Overview

Total Beef Trade Forecast at New Record Level for 2003; U.S. Forecast to Make Minor Gains

World Trade: Total beef exports are forecast at 6.5 million tons in 2003, an increase of nearly 5 percent over the 2002 estimate. As global competition intensifies, beef exports are forecast higher for most major exporters. Brazil, Argentina and Uruguay as they continue their moves toward exporting more fresh/chilled beef account for much of the increased competition. Australian exports are expected to reach a record-breaking 1.5 million tons, while Canadian exports are forecast to fall in 2003. Japan is forecast to account for half of the total imports increase. Korea is expected to import record volumes of beef in 2003. In 2003, U.S. beef exports are forecast to increase marginally to a record 1.15 million tons, while imports will remain flat around the record level of 1.5 million tons.

Key Exporters:

- **United States:** Beef exports for 2003 are forecast up marginally at 1.15 million tons. After rising 3 percent in 2002, due to increased slaughter combined with higher slaughter weights, U.S. beef production is forecast to fall 5.3 percent to 11.7 million tons in 2003. With less beef supply available, export expansion will be significantly constrained. The U.S. cattle herd is expected to undergo its seventh year of contraction and fall to 95.6 million head come January 1, 2003, its lowest level since 1959. Higher cattle retention for herd rebuilding during 2003 will reduce domestic beef supplies and consumption is forecast to fall 550,000 tons to 12.2 million tons in 2003.
- **Australia:** Total beef exports are forecast to grow to a record 1.5 million tons in 2003. Australia's beef production is forecast to reach a record 2.25 million tons as Australia's cattle numbers return to levels not seen since the 1970's. The United States is Australia's largest export market, however, the U.S. beef import quota, which Australia filled in 2001 and is likely to fill again in 2002 and 2003, is expected to limit growth in that market. With more fresh/chilled and frozen beef moving to export, Australian beef prices are likely to continue their downward trend and pressure competitors in export markets.
- **Brazil:** Continuing a decade of expanding beef production, Brazil's beef output is expected to reach a record 7.4 million tons in 2003. This strong growth in the beef sector will lead to record beef exports. Exporting only 306,000 tons in 1998, Brazil is forecast to export a record 925,000 tons in 2003. Acceptance of its regional FMD-free status in many countries in 2002 allowed Brazil to expand its presence in Europe and enter new markets, such as Egypt, Russia, and China. Brazil has changed its product mix with approximately three-quarters of Brazil's exports now consisting of frozen and fresh/chilled beef. Benefiting from a number of currency devaluations, low production costs and recent investment to expand production capacity, Brazil has become the world's third largest beef exporter.

- **Canada:** Canada's exports in 2003 are expected to fall to 600,000 tons as Canadian cattle herds, estimated to have reached a record 13.7 million head on January 1, 2002, are forecast to fall 2 percent by January 1, 2003. Canadian producers have reduced inventories due to high feed prices and a severe drought in 2002. Although exports are expected to fall in 2003, Canada will continue to export primarily higher-value, fresh/chilled beef cuts.
- **European Union:** Beef exports for 2003 are forecast at 570,000 tons, up from the 2002 estimate, but well below the 854,000 tons moved in 1999. The EU is expected to concentrate on exporting to its Russian and Eastern European neighbors. Many of the EU's trading partners in the Middle East have maintained restrictions concerning BSE, forcing the EU to direct beef export refunds to smaller markets. Future export growth will be constrained by declining cattle inventories. Cattle numbers are set to fall to 79.8 million head in 2003, 2.4 million less than the 2000 level.

Key Importers:

- **United States:** Beef imports for 2003 are forecast unchanged at a record 1.5 million tons. Australia for the first time since 1995, filled its import quota of 378,214 tons (product weight basis) in 2001, and is likely to do so again in 2002 and 2003. In 2001, nearly 60 percent of U.S. beef imports consisted of frozen beef, most of which came from Australia. Canada is the most important U.S. supplier of high-quality, fresh/chilled beef. Due to outbreaks of FMD in Uruguay and Argentina in 2001, the United States stopped imports of fresh/chilled and frozen beef from these two countries.
- **Japan:** Beef imports for 2003 are forecast at 860,000 tons, well above the 2002 estimate of 700,000 tons. Beef demand in 2003 is expected to rebound, however, as concerns about the safety of beef consumption diminish. As a result of strong imports, Japan is expected to trigger a safeguard on beef imports sometime in the summer of 2003. Once triggered, and if Japan enacts the safeguard, beef import tariffs will rise from 38.5 percent to 50 percent. These will remain in effect for at least the remainder of Japan Fiscal Year 2003, which ends on March 31, 2004. A safeguard action could slow import growth by raising domestic prices of imported beef and possibly cause significant imports in the first half of 2003 in anticipation of the safeguard announcement.
- **Russia:** Beef imports for 2003 are forecast at 740,000 tons, up 40,000 tons from the 2002 estimate. Imports largely consist of low-grade, frozen beef for further processing into sausage. However, imports of fresh/chilled beef rose to a record 15 percent of imports in 2001 to meet the needs of Russia's expanding hotel and tourism industries. The cattle herd in Russia is forecast to continue its decline, with cattle inventories in 2003 only half the level a decade earlier.
- **EU:** Beef imports for 2003 are forecast at a record 530,000 tons, up 30,000 tons from the 2002 estimate. Argentina, Brazil and Uruguay are the greatest beneficiaries of expanding EU demand. U.S. exports to the EU continue to be limited because of the hormone ban. The cattle herd in the EU is forecast to decline as some farmsteads

elect to permanently leave the beef industry in response to declining government financial support. With the gap between total exports and imports falling to only 40,000 tons in 2003, the EU has moved much closer to becoming a net beef importer.

- **Mexico:** In 2003, beef imports, forecast at 445,000 tons are forecast to set their seventh consecutive record. Mexico's cattle herd has steadily declined since 1994 as a result of extended drought and a weakening peso, which has forced many medium and small feedlots to go out of business due to high production costs and an inability to repay loans. Beginning inventories are forecast at 20.7 million head for 2003, 33 percent below a decade earlier. With rising disposable incomes, Mexico is increasingly looking at imports to meet consumer demand.
- **Korea:** Beef imports for 2003 are forecast at a record 420,000 tons, up 30,000 tons from the 2002 record estimate. Korea's cattle herd is in its sixth year of decline with the 2003 cattle inventory standing at 2 million head, about 40 percent below its 1997 high of 3.4 million head. Korea has begun to import substantial amounts of fresh/chilled beef as the last of its barriers to trade and retail sales of imported beef fell in late 2001. With high domestic beef prices and a declining herd, Korea's beef imports are expected to expand.

U.S. Beef Exports Forecast to Increase Marginally, Setting a New Record in 2003

